

A Business Perspective on Workplace Flexibility: When Work Works, An Employer Strategy for the 21st Century¹

By Cathy Healy

Flexibility is a way to define how and when work gets done and how careers are organized. It is a critical ingredient to overall workplace effectiveness. Companies of all sizes use it as a tool for improving recruitment and retention, managing workload, and responding to employee diversity. The following summarizes the most important aspects of flexibility and is drawn from *When Work Works* papers,² using data from the Families and Work Institute National Study of the Changing Workforce (NSCW) 2002. It presents information and a context for workplace strategies to help employers enhance their competitiveness in the 21st century.

Introduction

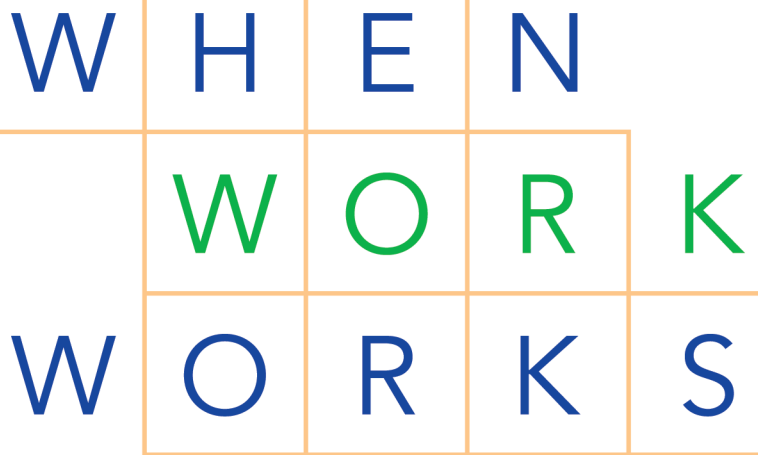
Employers grappling with a shrinking labor force and a growing demand for skilled workers need to consider innovative strategies and resources when developing recruitment and retention policies. The expanding economy will demand increasing numbers of highly skilled workers, while the number of available workers is decreasing. Additionally, surveys indicate that employees will actively seek new employment once the job market improves.³ It's clear that every organization, large and small, that expects to grow and prosper must make talent retention a top priority. Managing unwanted employee turnover may become the most important business issue of the next decade.⁴

Value of a Qualified Workforce

In the early 1990's, the U.S. Chamber of Commerce established the Center for Workforce Preparation to address the pressing workforce issues that were reported by nearly three million business members, most of whom are small and medium size. Beginning in 2001 and for two years thereafter, CWP conducted three surveys⁵ to hear the voice of business—especially small and medium size—on the challenges and successes of finding and securing qualified workers. Seventy-five percent of new job growth is expected to occur in small and medium size businesses. It is critical that workforce retention strategies be designed to support these employers.

The most recent data in 2003 demonstrates that employers have multiple workforce challenges. Of the 3700 employers who responded in 2003:

When Work Works is a project of Families and Work Institute sponsored by the Alfred P. Sloan Foundation in partnership with The Center for Workforce Preparation an affiliate of the U.S. Chamber of Commerce and The Center for Emerging Futures. For more information, go to www.whenworkworks.org.



- Half of the employers report having a hard or very hard time finding qualified job applicants.
- The problem is greatest for small employers. Nearly 60 percent of employers with 11 to 50 employees report having a very hard or hard time securing qualified applicants.
- Among the smallest employers, those with 10 or fewer employees, just under half (49%) have a hard or very hard time finding qualified applicants, though twenty-five percent of smallest employers report not hiring at all.

Overall, of the top three factors that employers report as being important to remaining competitive, recruiting and retaining qualified employees are essential, especially for employers with more than 10 employees.⁶ The surveys also indicate that though businesses report recruitment and retention as critical indicators to being competitive, few are prepared to address the issues. Only 46 percent of the organizations conduct exit interviews, 25 percent measure employee turnover and 79 percent do not have any dedicated staff for recruitment, training, or retention/career development responsibilities.

Turnover is expensive business. When indirect costs are considered—lost productivity, lost sales and loss of intellectual capital—the cost of turnover for any company is too great to ignore.⁷

The Cost of Employee Turnover

- According to industry surveys, estimates of turnover costs range from \$19,700 for customer service representatives to \$57,700 for middle managers.⁸
- A Coca-Cola study found that supermarkets spend \$1.40 on employee turnover for every \$1 of profit. In the health care industry, the per-patient cost was 35% greater in those centers with high nurse turnover.⁹
- Retail clothing stores would have to sell 3,000 additional pairs of khaki pants at \$35 a piece to overcome the loss of one worker. Replacing a manager or professional costs much more.¹⁰
- The Saratoga institute found that it cost 150% to 200% of an exempt employee's yearly salary to replace him or her.

Flexibility

As a strategy to retain valued employees, workplace flexibility may prove to be a sound business decision for employers no matter the size or industry sector. Many employers are already using flexibility as a retention tool in their workplaces on a one-to-one basis and with very few formal, institutionalized policies. Workplace flexibility takes many forms—flextime, job sharing, telecommuting and moving from full to part-time employment and back again without jeopardizing advancement. The NSCW findings indicate that employees view flexible work arrangements as an essential ingredient to success at work and at home.

When comparing responses from managerial and professional employees to all employees in all other occupations, the NSCW finds:

- Greater workplace flexibility makes more of a positive difference in job engagement and commitment among non-managerial and non-professional employees.

- Although workplace flexibility is more important to non-managerial and non-professional employee's job engagement and commitment, they have significantly less flexibility on average.

Other factors that impact employee expectations include generational, gender, care-giving status, and job title.

- Among the youngest employees, greater job satisfaction and retention is reported when learning opportunities are available.
- Among younger employees, greater involvement in management decision-making is more important to job satisfaction than among older workers.

The perception that flexible workplace policies are desired by only a limited segment of the workforce is untrue. Employees across the board said they would like to have more flexible work options and would use them if they did not perceive negative consequences.

Employee *Perceived Consequences*

- Thirty-nine percent of respondents believe that they are less likely to get ahead in their jobs or careers if they utilized flexible workplace arrangements.
- Employed parents are more likely (43%) than non-parents (35%) to believe that using flexible work schedule options would have negative effects on their job advancement.
- Employees in goods-producing industries are also more likely (42%) than those in service industries (37%) to believe that using flexible work options might jeopardize their job advancement.

A large body of research points to employers' ability to retain workers when effective workplaces strategies, including workplace flexibility policies, are implemented. Further research demonstrates the positive bottom line impact of flexible work arrangements.

The Business Case—for Effective Workplace Policies

- In a 1998 Watson survey of 614 companies, flexibility was ranked by half of the companies as their most effective retention tool—better than above-market salaries, stock options or training.
- Aetna found that after extending the length of maternity leave—91 percent of women returned to work, while only 77 percent retained their jobs after a shorter maternity leave period.
- Royal Bank Financial Group reported improved business performance, enhanced customer service, reduced expenses and the company was positioned as a desirable employer.
- Great Place to Work's 100 best companies, where 99 out of 100 have flexible work policies, consistently outperform the S&P 500, retaining key talent and experiencing a turnover rate that is half of the national average.¹¹

What Makes an Effective Workplace?

The *When Work Works* survey highlights six characteristics that constitute an effective workplace where employees want to stay in their jobs.

1. Job autonomy (control over work content, method and pace)
2. Learning opportunities and challenges on the job
3. Supervisor support for job success
4. Coworker team support for job success
5. Involvement in management decision-making
6. Flexible workplace options

Effective Workplace

Retention is an organizational issue. It involves values and culture, supervisors and managers' competencies and behavior, and the value placed on employees in the organization. The ability to access flexible work arrangements can affect a job seeker's choice of employers or the decision to stay in a job. The NSCW survey indicates that greater employee job engagement, job satisfaction, intention to stay and employee well-being are related to effective workplace policies.

Employees will be more engaged:

- Eighty-three percent of employees in effective workplaces express high levels of job engagement and commitment.

Employees will be more satisfied with the job:

- Eight times as many employees in the most effective workplaces express high levels of satisfaction with their jobs.

Employees will stay:

- Twice as many employees in effective workplaces say they are "not at all likely" to seek a new job with another employer within the next year, which significantly reduces turnover costs.

Employees will be healthier:

- Thirty-eight percent of employees in effective workplaces exhibit very good mental health.

In light of what employees are saying about effective workplaces, it is critical that employers learn and develop management techniques supporting effective workplace practices across all levels of the workforce. The risk of losing quality workers is too great.

What Employers Can Do

Approach Flexibility as a Management Tool, Not a Worker Accommodation. Flexibility can help employees get the job done. Flexible work policies will be more beneficial to the company, supervisors and employees when used as a tool for completing work than simply as a response to employee need.

Examine Workplace Flexibility Policies. Strengthen existing policies across all levels of the workforce and increase awareness of employee/employer expectations.

Share Decision-Making Authority. Employers and supervisors will need to develop management techniques that encourage and embrace inclusive decision-making processes. Flexible work policies work best when those who are most affected (work team and customers) are involved.

Invest in Management Training. Managers in effective workplaces are creative, skilled problem solvers and excel in optimizing business operations.

Help Employees Take Advantage of Learning Opportunities. A recent survey conducted by Household International in December 2003 and featured in USA Today revealed that 62 percent of men and 82 percent of women value tuition reimbursement and skills training over other non-pay benefits offered by employers. Providing flexible work options is critical if employees are to take advantage of multiple learning opportunities.

Be Aware of Generational Needs. Examine existing policies and shape new ones to improve retention rates of workers across generations.

Place Equal Focus on Non-managerial and Non-professional Employees. Valuable employees are valuable employees regardless of their job title or company status. Consider developing strategies that can work across the workplace.

Invest in Retention and Recruitment. Every business needs to seriously think through retention and recruitment policies that incorporate workplace flexibility options.

Communicate and Align New Programs and Policies. As the policies are implemented throughout the organization, all employees will need to consider how the changes affect business operations. Further, managers will need to align job performance measures with new workplace flexibility policies.

Market the Business as an Employer of Choice. Businesses that aggressively market their effective workplace policies to potential hires will attract a wide range of talent.

Leverage Existing Resources in Implementing an Effective Workplace. Resources already exist in large businesses; however small and medium-size businesses at greatest risk for finding and securing a qualified workforce will need added supports and guidance from publicly funded workforce systems, local business associations, chambers of commerce and HR consulting firms.

Conclusion

Traditional workforce strategies such as employee recognition week, increased compensation, bonus or stock options will not ensure the retention and full engagement of qualified and talented workers. No longer can a 21st century workforce be managed with 20th century recruitment and retention strategies. Businesses on the cutting edge of effective workplace policies will have a better chance to secure the qualified workforce they need to have a competitive advantage with flexible work strategies.

The Center for Workforce Preparation (CWP) is a nonprofit affiliate of the U.S. Chamber of Commerce that focuses on workforce development and quality education issues. It develops workforce strategies for businesses, chambers of commerce, and communities to hire, train, retain, and advance skilled workers in the 21st century.

CWP's partnerships with local chambers, other workforce development organizations, and funders have been instrumental in defining and demonstrating the important role of local chambers in workforce development and education. Together, CWP and local chambers excel at reaching small and medium-size businesses, where the majority of job growth occurs.

Workforce development is about more than hiring and training the right workers. It is about identifying and addressing other critical factors such as transportation, health care, and child care that enable people to work and advance in their careers. CWP promotes lessons and promising practices from successful communities to encourage chambers and employers to build resources that support productive workplaces.

Endnotes

- 1 Cathy Healy, CWP Program Officer, prepared *A Business Perspective on Workplace Flexibility: When Work Works An Employer Strategy for the 21st Century*.
- 2 *When Work Works* papers are funded by IBM and the Alfred P.Sloan Foundation.
- 3 Taylor, Craig R., "Retention Leadership", 2004 Feature A, TalentKeepers.
- 4 Taylor, Craig R., "Retention Leadership", 2004 Feature A, TalentKeepers.
- 5 *Rising to the Challenge*, Center for Workforce Preparation, 2003.
- 6 *Keeping Competitive*, Center for Workforce Preparation, September 2001.
- 7 *Keeping Competitive*, Center for Workforce Preparation, September 2001.
- 8 TalentKeepers News Volume II, Issue 3, Summer 2003, page 1. Retrieved March 19, 2004, from www.talentkeepers.com.
- 9 TalentKeepers News Volume II, Issue 3, Summer 2003, page 1. Retrieved March 19, 2004, from www.talentkeepers.com.
- 10 TalentKeepers News Volume II, Issue 3, Summer 2003, page 1. Retrieved March 19, 2004, from www.talentkeepers.com.
- 11 *Workforce Summit 2003: Creating a 21st Century Workforce for Business*, as reported by Michael Burchell, Great Place to Work Institute, May 15, 2003.